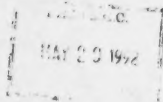


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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



Form 10-Q

(Mark One)

☒

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For The Quarter Ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File No. 0-16741

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

PROCESSED BY

MAY 22 1992

13/p
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Q-Data Corp. - St. Petersburg, FL

94-1667468

(I.R.S. Employer
Identification Number)

L3Q

5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244

(Address of principal executive offices)

Telephone No.: (214) 701-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes ☒ No ☐

Outstanding Common Stock (\$0.50 par value)

Date
5/19/92

Shares
7,286,827

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COMSTOCK RESOURCES, INC.

INDEX

PART I. Financial Information

Page No.

Item 1. Financial Statements

Consolidated Balance Sheets -	
March 31, 1992 and December 31, 1991	4
Consolidated Statements of Operations -	
Three months ended March 31, 1992 and 1991	5
Consolidated Statement of Stockholders' Equity -	
Three months ended March 31, 1992	6
Consolidated Statements of Cash Flows - Three months	
ended March 31, 1992 and 1991	7
Notes to Consolidated Financial Statements	8

Item 2. Management's Discussion and Analysis of Financial	
Condition and Results of Operations	10

PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K	12
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Cash and Equivalents	\$ 1,604,451	\$ 1,473,784
Accounts Receivable:		
Oil and gas sales	937,943	1,234,239
Joint interest operations	1,178,983	1,701,659
Other	375,000	545,000
Prepaid Expenses and Other	130,764	235,584
Inventory	87,962	118,549
Due from Affiliate	714,789	714,789
Total current assets	5,029,892	6,023,604
Notes Receivable - noncurrent	325,000	325,000
Property and Equipment:		
Unevaluated oil and gas leases	2,999,090	2,930,090
Oil and gas properties, successful efforts method	60,587,010	60,546,578
Pipeline and related equipment	400,000	400,000
Other	422,311	425,246
Accumulated depreciation, depletion and amortization	(20,018,704)	(19,517,930)
Net property and equipment	44,389,707	44,783,984
Other Assets	704,002	811,309
	<u>\$ 50,448,601</u>	<u>\$ 51,943,897</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Portion of Long-term Debt	\$ 348,739	\$ 299,717
Accounts Payable and Accrued Expenses	4,603,258	5,580,805
Total current liabilities	4,951,997	5,880,522
Long-term Debt, less current portion	7,546,931	7,542,888
Deferred Revenue	16,338,549	16,685,651
Other Noncurrent Liabilities	3,053,900	2,984,692
Stockholders' Equity:		
Common stock - \$.50 par, 15,000,000 shares authorized	3,643,414	3,643,414
Additional paid-in capital	33,980,274	33,980,274
Retained earnings (deficit)	(18,828,418)	(18,522,607)
Less: Deferred compensation - restricted stock	(238,046)	(250,937)
Total stockholders' equity	18,557,224	18,850,144
	<u>\$ 50,448,601</u>	<u>\$ 51,943,897</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended March 31,
(Unaudited)

	1992	1991
Revenues:		(Restated)
Oil and gas sales	\$ 1,267,921	\$ 553,749
Pipeline income	57,926	-
Rental income	-	9,740
Gains on sales of property	-	27,661
Other income	62,709	20,995
Total revenues	<u>1,388,556</u>	<u>612,145</u>
Expenses:		
Oil and gas operating	571,411	353,586
Pipeline operating	45,076	-
Real estate operating	-	9,380
Depreciation, depletion and amortization	554,114	308,653
General and administrative	353,075	371,364
Interest	170,691	82,208
Total expenses	<u>1,694,367</u>	<u>1,125,191</u>
Loss before income taxes	(305,811)	(513,046)
Provision for income taxes	-	-
Net loss	<u>\$ (305,811)</u>	<u>\$ (513,046)</u>
Net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>
Weighted average shares outstanding	<u>7,286,827</u>	<u>6,646,831</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 1992
(Unaudited)

	Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Deferred Compensation- Restricted Stock	Total
Balance at December 31, 1991	7,286,827	\$ 3,643,414	\$ 33,980,274	\$ (18,522,607)	\$ (250,937)	\$ 18,850,144
Restricted stock grants	-	-	-	-	12,891	12,891
Net loss	-	-	-	(305,811)	-	(305,811)
Balance at March 31, 1992	<u>7,286,827</u>	<u>\$ 3,643,414</u>	<u>\$ 33,980,274</u>	<u>\$ (18,828,418)</u>	<u>\$ (238,046)</u>	<u>\$ 18,557,224</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31,
(Unaudited)

	1992	1991 (Restated)
Cash flows from operating activities:		
Net loss	\$ (305,811)	\$ (513,046)
Adjustments to re-ncile net loss to net cash provided by operating activities:		
Restricted stock grants	12,891	-
Depreciation, depletion and amortization	554,114	308,653
Deferred revenue amortization	(347,102)	-
Amortization of discounts	82,762	47,852
Gains on sales of property	-	(27,661)
Decrease in accounts receivable	988,972	156,373
Decrease (increase) in prepaid expenses	104,820	(901)
Increase (decrease) in accounts payable and accrued expenses	(885,884)	220,185
	<u>510,573</u>	<u>704,501</u>
Net cash provided by operating activities	<u>204,762</u>	<u>191,455</u>
Cash flows from investing activities:		
Proceeds from sales of properties	50,000	17,274
Payments received on notes receivable	-	10,504
Capital expenditures	(157,246)	(434,355)
Net cash used for investing activities	<u>(107,246)</u>	<u>(406,577)</u>
Cash flows from financing activities:		
Borrowings	56,755	-
Principal payments on debt	(23,604)	(14,120)
Stock issuance costs	-	(6,587)
Repayment of advances to affiliate	-	2,978
Net cash used for financing activities	<u>33,151</u>	<u>(17,729)</u>
Net increase (decrease) in cash and equivalents	130,667	(232,851)
Cash and equivalents, beginning of year	1,473,784	357,621
Cash and equivalents, end of quarter	<u>\$ 1,604,451</u>	<u>\$ 124,770</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992 and 1991

(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation -

In management's opinion, the accompanying consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries (the "Company") as of March 31, 1992 and the related results of operations and cash flows for the three months ended March 31, 1992 and 1991.

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

The results of operations for the three months ended March 31, 1992 and 1991, are not necessarily indicative of the results expected for the full year.

Change to Successful Efforts Accounting Method -

During the fourth quarter of 1991, the Company changed the method of accounting for its oil and gas operations from the full cost method to the successful efforts method. The accompanying consolidated financial statements for the three months ended March 31, 1991 have been restated to reflect this accounting change. The change in accounting method resulted in changes to the reported net loss and net loss per share as reflected in the table below.

	<u>Per Share</u>	
Net loss as previously reported	\$ (433,098)	\$ (.07)
Adjustment for the effect of the change in accounting method	<u>(79,948)</u>	<u>(.01)</u>
Net loss as restated	<u>\$ (513,046)</u>	<u>(.08)</u>

Supplementary Information with Respect to the Statements of Cash Flows -

The Company paid cash for interest of \$143,000 and \$144,000 during the three months ended March 31, 1992 and 1991, respectively. No cash for income taxes was paid in the three months ended March 31, 1992 and 1991.

Capitalized Interest -

The Company capitalizes carrying costs relating to its unevaluated oil and gas leases including interest and related financing costs. During the three months ended March 31, 1992 and 1991, interest and related financing costs of \$62,147 and \$134,713, respectively, were capitalized.

Deferred Revenue -

In connection with the acquisition of certain oil and gas properties in November 1991, the Company sold a production payment for \$17.1 million. The Company is required to deliver approximately 13.5 Bcf of natural gas from the acquired properties through November 1999 under the production payment. As of March 31, 1992, the Company had 13 Bcf of natural gas remaining to deliver under the production payment. The Company recognizes revenues from the prepayment as deliveries of production are made.

(2) SALE OF REAL ESTATE AND MINING ASSETS -

On December 31, 1991, the Company entered into an agreement to sell all of its remaining Nevada real estate and mining assets including the common stock of Sutro Tunnel Company, a wholly owned subsidiary, for \$625,000 in cash and a promissory note for \$325,000 which bears interest at 7% and matures on April 30, 1993. The note is secured by a first deed of trust on certain of the real estate sold. The assets were sold to a corporation managed by a former employee of the Company.

(3) SUBSEQUENT EVENTS -

On April 8, 1992, the Company and Liberty formed the 1992 Oil and Gas Development Venture (the "1992 Venture") which will continue to develop the Company's Texas Panhandle Field properties as well as other prospects generated by the Company. Under the 1992 Venture, Liberty has agreed to fund up to \$5 million annually in each of the three years ending March 31, 1993, 1994 and 1995. The 1992 Venture commits Liberty, each year, to fund \$4 million plus the lesser of \$1 million or the combined operating cash flow from the 1991 Venture and the 1992 Venture from the preceding twelve month period ending March 31. Liberty received warrants to purchase an additional 150,000 shares of the Company's common stock at \$2.25 per share in consideration for entering into the 1992 Venture.

In a related transaction, the Company entered into an agreement with Liberty to acquire interests in approximately 120 producing wells located primarily in Oklahoma and Arkansas. The properties have proved reserves of approximately 12.5 Bcf of natural gas and 58,000 barrels of oil as of December 31, 1991. The Company has agreed to pay \$3.5 million in cash and exchange 10% of the Company's interest in its undeveloped acreage on the Bivins and Sneed Ranch leases in the Texas Panhandle Field for the properties to be acquired from Liberty.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Financial Position -

Total assets at March 31, 1992 were \$50.4 million as compared to total assets at December 31, 1991 of \$51.9 million. The decrease is attributable to depreciation, depletion and amortization for the quarter and a decrease in accounts receivable. At March 31, 1992 the Company had working capital of \$78,000, a slight decrease from working capital of \$143,000 at December 31, 1991.

Sources and Uses of Capital Resources -

During the three months ended March 31, 1992, the primary sources of capital resources were net cash from operations of \$205,000 and proceeds from sales of properties of \$50,000 which, with available working capital, were used to fund capital expenditures of \$157,000.

At March 31, 1992, the Company's joint venture with Liberty Life Insurance Company ("Liberty") formed in 1991, the 1991 Oil and Gas Development Venture (the "1991 Venture"), completed its development program. The Venture expended approximately \$4 million in developing the Company acreage in the Texas Panhandle Field, drilling a developmental gas well in Oklahoma and acquiring a 10.7% interest in the Bryan Austin Chalk unit, as well as funding the costs of the first horizontal test well to be drilled on the unit in June 1992. Liberty receives 50% to 90% of the 1991 Venture's revenues as a result of its funding of 100% of the 1991 Venture's development expenditures. The Company received \$10,000 to \$20,000 for acreage and wellbores for each well site contributed to the 1991 Venture in addition to 10% to 50% of the Venture's revenues. In April 1992, Liberty agreed to enter into the 1992 Venture under substantially the same terms as the 1991 Venture. The 1992 Venture commits Liberty to fund up to \$5 million a year for the years ended March 31, 1993, 1994 and 1995 for the development of the Company's Texas Panhandle Field acreage as well as other projects generated by the Company.

In April 1992, the Company entered into an agreement with Liberty to acquire interests in approximately 120 producing wells located primarily in Oklahoma and Arkansas. The properties have proved reserves of approximately 12.5 Bcf of natural gas and 58,000 barrels of oil as of December 31, 1991. The Company has agreed to pay \$3.5 million in cash and exchange 10% of the Company's interest in its undeveloped acreage on the Brivas and Seved Ranch leases in the Texas Panhandle Field for the properties to be acquired from Liberty. The Company is currently seeking financing for the cash portion of the purchase price. There can be no assurances that the Company will be able to obtain financing on terms acceptable to the Company.

Results of Operations

Earnings -

The Company reported a net loss of \$306,000 for the three months ended March 31, 1992 as compared to a net loss of \$513,000 for the three months ended March 31, 1991. Net loss per share for the first quarter of 1992 was 4¢ on weighted average shares of 7.3 million versus a net loss per share of 8¢ on weighted average shares of 6.6 million for the first quarter of 1991.

Revenues -

Revenues for the three months ended March 31, 1992 were \$1.4 million, a 127% increase from total revenues of \$612,000 for the same period in 1991. The increase is attributed to higher oil and gas sales which were \$1.3 million for the three months ended March 31, 1992 as compared to \$554,000 for the three months ended March

31, 1991. Oil production for the first three months of 1992 was 32,300 barrels which was sold at an average price of \$17.43 per barrel as compared to 21,500 barrels sold at an average price of \$21.10 per barrel for the first three months of 1991. Gas production for the first three months of 1992 was 487,000 mcf which was sold at an average price of \$1.39 per mcf as compared to 67,000 mcf sold at an average price of \$1.48 per mcf for the first three months of 1991. The increase in production in the first quarter is attributable to the oil and gas property acquisitions made in June and November 1991.

Expenses -

Total expenses increased from \$1.1 million for the three months ended March 31, 1991 to \$1.7 million for the three months ended March 31, 1992. The increase is primarily due to higher oil and gas operating costs, depreciation, depletion and amortization and interest expense. General and administrative expenses were \$353,000 for the first quarter of 1991 which was slightly less than general and administrative expenses of \$371,000 for the first quarter of 1992.

Oil and gas operating expenses increased to \$571,000 in the first quarter of 1992, as compared to \$354,000 in the first quarter of 1991. The increase related to operating costs of the properties acquired in 1991. Lifting costs per equivalent barrel for the first quarter of 1992 were \$5.04 per barrel as compared to \$10.84 per barrel in the first quarter of 1991.

Depreciation, depletion and amortization for the first three months of 1992 was \$554,000 as compared to \$309,000 in the first three months of 1991. The increase is attributable to the amortization of debt issuance costs associated with the Company's revolving credit facility entered into in July 1991 and higher depreciation and depletion on the Company's oil and gas properties. Depletion and depreciation relating to the Company's oil and gas properties increased due to costs and production attributable to the 1991 oil and gas property acquisitions. Depletion and depreciation per equivalent unit of production was \$4.19 per equivalent barrel for the first quarter of 1992 as compared to \$8.15 per equivalent barrel for the first quarter of 1991.

Interest expense for the three months ended March 31, 1992 was \$171,000 as compared to \$82,000 for the first three months of 1991. The increase is a result of the increase in debt outstanding including the \$2 million non-recourse production payment liability, combined with a lesser amount of interest capitalized on the Company's unvaluated oil and gas leases during the first quarter of 1992.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits - None
- b. Reports on Form 8-K -

Current reports on Form 8-K filed during the first quarter of 1992 and to the date of this filing are as follows:

<u>Report Date</u>	<u>Item No.</u>	<u>Subject of Report</u>
January 24, 1992	Item 2	Amendment No. 1 to November 12, 1991 Report on acquisition of oil and gas properties from Goodrich Oil Company.

SIGNATURES

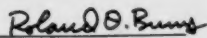
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMSTOCK RESOURCES, INC.

Date May 19, 1992


M. Jay Arnesen, President and
Chief Executive Officer

Date May 19, 1992


Roland O. Burns, Chief Financial
Officer, Treasurer, and Principal
Accounting Officer